

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Metamora	County Lapeer
Audit Date 3/31/04	Opinion Date 8/9/04	Date Accountant Report Submitted to State: 9/9/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

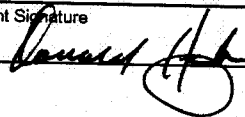
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Hyzer, Hill, Kuzak & Co., P. C.			
Street Address 1242 Sand Beach Road		City Bad Axe	State MI
Accountant Signature 		ZIP 48413	Date 9/9/04

VILLAGE OF METAMORA
GENERAL PURPOSE FINANCIAL STATEMENTS
with
AUDITORS' REPORT
YEAR ENDED MARCH 31, 2004

TABLE OF CONTENTS

PAGE

Independent auditors' report

1-2

General purpose financial statements:

Combined balance sheet - all fund types and account groups

3-4

Combined statement of revenues, expenditures, and changes in fund
balances - all governmental fund types

5

Combined statement of revenues and expenditures - budget and actual -
governmental fund types

6

Combined statement of revenues, expenses, and changes in retained
earnings - proprietary fund types

7

Combined statement of changes in contributed equity - proprietary fund types

8

Combined statement of cash flows - proprietary fund types

9

Notes to general purpose financial statements

10-19

Supplementary information:

General fund:

Schedule of revenues - budget and actual

20

Schedule of expenditures - budget and actual

21-22

Special revenue funds:

Combining balance sheet

23

Combining statement of revenues, expenditures, and changes in
fund balances

24

Proprietary funds:

Combining balance sheet

25-26

Combining statement of contributed equity

27

TABLE OF CONTENTS

PAGE

Supplementary information (continued):

Proprietary funds (continued):

Combining statement of income and changes in
retained earnings

28

Combining statement of cash flows

29

Sewer funds:

Combining balance sheet

30

Combining statement of revenues and expenses and changes in
retained earnings (deficit)

31

Agency funds:

Combining statement of changes in assets and liabilities

32

Schedule of bond indebtedness:

Sanitary sewer system revenue bonds

33-34

Report on compliance and on internal control over financial
reporting based on an audit of financial statements performed
in accordance with *Government Auditing Standards*

35-36

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INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Metamora, Michigan

We have audited the accompanying general purpose financial statements of the Village of Metamora, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of Metamora, Michigan's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Metamora, Michigan, as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2004, on our consideration of Village of Metamora, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and other schedules on pages 20 through 34 are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Hyatt, Hill, Hough & Co P.C.

August 9, 2004

VILLAGE OF METAMORA
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
MARCH 31, 2004

	<u>PRIMARY GOVERNMENT</u>					<u>DISCRETELY PRESENTED COMPONENT UNIT</u>
	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Group</u>	<u>DDA Special Revenue Fund</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Agency</u>	<u>General Fixed Assets</u>	
ASSETS						
Current assets:						
Cash - unrestricted	\$ 61,049	\$ 9,542	\$ 43,889	\$ 909	\$ -	\$ 3,997
Cash - restricted for debt service	-	-	80,632	-	-	-
Investments - unrestricted	111,000	78,000	70,000	-	-	751,000
Accounts receivable, net of allowance for doubtful accounts of \$2,000	-	-	11,580	-	-	-
Due from other funds	<u>13,500</u>	<u>6,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current assets	185,549	94,042	206,101	909	-	754,997
Investments - restricted for debt service	-	-	131,000	-	-	-
Accounts receivable - restricted for debt service	-	-	7,105	-	-	-
Advance to other funds	-	-	-	-	-	-
Connection fees receivable - restricted for debt service	-	-	89,987	-	-	138,536
Property, plant and equipment	-	-	4,696,072	-	-	-
Accumulated depreciation	-	-	(769,515)	-	156,280	-
Unamortized bond costs	<u>-</u>	<u>-</u>	<u>18,711</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 185,549</u>	<u>\$ 94,042</u>	<u>\$ 4,379,461</u>	<u>\$ 909</u>	<u>\$156,280</u>	<u>\$ 893,533</u>

The accompanying notes are an integral part to these financial statements.

VILLAGE OF METAMORA
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
MARCH 31, 2004
(CONTINUED)

	PRIMARY GOVERNMENT					DISCRETELY PRESENTED COMPONENT UNIT
	Governmental Fund Types	Proprietary Fund Type	Fiduciary Fund Type	Account Group		
	General	Special Revenue	Enterprise	Agency	General Fixed Assets	DDA Special Revenue Fund
LIABILITIES AND FUND EQUITY						
Current liabilities:						
Accounts payable	\$ 10,205	\$ 9,628	\$ 4,413	\$ 909	\$ -	\$ -
Accrued interest payable	-	-	22,077	-	-	-
Due to other funds	-	6,500	13,500	-	-	-
Revenue bonds payable	-	-	14,000	-	-	-
Total current liabilities	10,205	16,128	53,990	909	-	-
Long-term liabilities:						
Advance from other funds	-	-	138,536	-	-	-
Revenue bonds payable	-	-	706,000	-	-	-
Total long-term liabilities	-	-	844,536	-	-	-
Total liabilities	10,205	16,128	898,526	909	-	-
Fund equity:						
Reserved for long-term advances	-	-	-	-	-	138,536
Investment in general fixed assets	-	-	-	-	156,280	-
Contributed equity	-	-	2,527,395	-	-	-
Retained earnings	-	-	953,540	-	-	-
Fund balance	175,344	77,914	-	-	-	-
Total fund equity	175,344	77,914	3,480,935	-	156,280	754,997
Total liabilities and fund equity	\$ 185,549	\$ 94,042	\$ 4,379,461	\$ 909	\$ 156,280	\$ 893,533

The accompanying notes are an integral part to these financial statements.

VILLAGE OF METAMORA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
YEAR ENDED MARCH 31, 2004

	<u>PRIMARY GOVERNMENT</u>		<u>DISCRETELY PRESENTED COMPONENT UNIT</u>
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>DDA Special Revenue Fund</u>
Revenues:			
Current tax levy	\$ 180,125	\$ -	\$ -
State sources	42,677	39,878	-
Rentals and interest	15,907	485	3,307
Miscellaneous	<u>12,673</u>	<u>-</u>	<u>84,794</u>
Total revenues	251,382	40,363	88,101
Other financing sources:			
Transfers from other funds	<u>-</u>	<u>-</u>	<u>81,428</u>
Total revenues and other financing sources	251,382	40,363	169,529
Expenditures:			
General government	95,771	-	4,312
Public works	<u>54,969</u>	<u>56,192</u>	<u>-</u>
Total expenditures	150,740	56,192	4,312
Other financing uses:			
Transfers to other funds	<u>81,428</u>	<u>-</u>	<u>-</u>
Total expenditures and other financing uses	<u>232,168</u>	<u>56,192</u>	<u>4,312</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	19,214	(15,829)	165,217
Fund balance - beginning of year	<u>156,130</u>	<u>93,743</u>	<u>728,316</u>
Fund balance - end of year	<u>\$ 175,344</u>	<u>\$ 77,914</u>	<u>\$ 893,533</u>

The accompanying notes are an integral part of these financial statements.

COMBINED
BUDGET

PRIMARY GO

General Fund

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Current tax levy	\$ 169,500	\$ 180,125	\$ 10,625
State sources	44,500	42,677	(1,823)
Rentals and interest	14,200	15,907	1,707
Miscellaneous	<u>9,680</u>	<u>12,673</u>	<u>2,993</u>
Total revenues	237,880	251,382	13,502
Other financing sources:			
Transfers from other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and other financing sources	237,880	251,382	13,502
Expenditures:			
General government	132,734	95,771	36,963
Public works	<u>61,860</u>	<u>54,969</u>	<u>6,891</u>
Total expenditures	194,594	150,740	43,854
Other financing uses:			
Transfers to other funds	<u>81,428</u>	<u>81,428</u>	<u>-</u>
Total expenditures and other financing uses	<u>276,022</u>	<u>232,168</u>	<u>43,854</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (38,142)</u>	<u>\$ 19,214</u>	<u>\$ 57,356</u>

VILLAGE OF METAMORA
STATEMENT OF REVENUES AND EXPENDITURES
AND ACTUAL - GOVERNMENTAL FUND TYPES
YEAR ENDED MARCH 31, 2004

<u>GOVERNMENT</u>			<u>DISCRETELY PRESENTED COMPONENT UNIT</u>		
<u>Special Revenue Funds</u>			<u>DDA Special Revenue Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
39,000	39,878	878	-	-	-
1,050	485	(565)	4,000	3,307	(693)
-	-	-	<u>76,000</u>	<u>84,794</u>	<u>8,794</u>
40,050	40,363	313	80,000	88,101	8,101
-	-	-	<u>70,000</u>	<u>81,428</u>	<u>11,428</u>
40,050	40,363	313	150,000	169,529	19,529
-	-	-	7,316	4,312	3,004
<u>72,292</u>	<u>56,192</u>	<u>16,100</u>	<u>871,000</u>	<u>-</u>	<u>871,000</u>
72,292	56,192	16,100	878,316	4,312	874,004
-	-	-	-	-	-
<u>72,292</u>	<u>56,192</u>	<u>16,100</u>	<u>878,316</u>	<u>4,312</u>	<u>874,004</u>
<u>\$ (32,242)</u>	<u>\$ (15,829)</u>	<u>\$ 16,413</u>	<u>\$ (728,316)</u>	<u>\$ 165,217</u>	<u>\$ 893,533</u>

g notes are an integral part of these financial statements.

VILLAGE OF METAMORA
COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPES
YEAR ENDED MARCH 31, 2004

Revenues:		
Operating usage charges		\$ 111,405
Debt service usage charges		<u>74,275</u>
Total revenues		185,680
Expenses:		
Contracted services		62,967
Repairs		913
Supplies		3,733
Utilities		14,844
Administration		8,963
Depreciation		<u>119,747</u>
Total expenses		211,167
Operating loss		(25,487)
Non-operating income (expense):		
User contributions		40,284
Interest income		10,313
Interest expense		<u>(41,902)</u>
Total non-operating income (expense)		8,695
Net loss		(16,792)
Add: Depreciation on fixed assets acquired by revenues externally restricted for capital acquisitions that reduces contributed capital		<u>47,275</u>
Increase in retained earnings		30,483
Retained earnings - beginning of year		<u>923,057</u>
Retained earnings - end of year		<u>\$ 953,540</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF METAMORA
COMBINED STATEMENT OF CHANGES IN CONTRIBUTED EQUITY
PROPRIETARY FUND TYPES
YEAR ENDED MARCH 31, 2004

	<u>CONTRIBUTED EQUITY</u>			
	<u>Village</u>	<u>Users</u>	<u>Federal Grant</u>	<u>Total</u>
Balance - beginning of year	\$ 691,763	\$ 486,872	\$1,396,035	\$ 2,574,670
Less: Depreciation on fixed assets acquired by revenues externally restricted for capital acquisitions that reduces contributed capital	<u>(6,600)</u>	<u>-</u>	<u>(40,675)</u>	<u>(47,275)</u>
Balance - end of year	<u>\$ 685,163</u>	<u>\$ 486,872</u>	<u>\$1,355,360</u>	<u>\$ 2,527,395</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF METAMORA
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
YEAR ENDED MARCH 31, 2004

Cash flows from operating activities:	
Operating loss	\$ (25,487)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Amortization	1,101
Depreciation	119,747
Decrease (increase) in:	
Customer receivables	28,951
Due from other funds	4,966
Increase (decrease) in:	
Accounts payable	(30)
Due to other funds	<u>(5,966)</u>
Total adjustments	<u>148,769</u>
Net cash provided by operating activities	123,282
Cash flows from capital and related financing activities:	
Payment of bonds	(83,000)
Interest paid on debt	(39,825)
Additions to water system	(98,911)
User contributions	40,284
Interfund advance	<u>90,100</u>
Net cash used by capital and related financing activities	(91,352)
Cash flows from investing activities:	
Interest from investments	<u>10,313</u>
Net increase in cash and cash equivalents	42,243
Cash and cash equivalents - beginning of year	<u>283,278</u>
Cash and cash equivalents - end of year	<u>\$ 325,521</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF METAMORA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
MARCH 31, 2004

1. Summary of significant accounting policies

The Village of Metamora was organized in 1885 and is located in Lapeer County, Michigan. It is governed by a seven person elected council and has approximately 500 residents. The general purpose financial statements of the Village have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

A. Financial reporting entity

These general purpose financial statements present the Village of Metamora (the primary government) and its component unit. The component unit discussed below is included in the Village's reporting entity because of the significance of its operational or financial relationship with the Village.

Discretely presented component unit

The discretely presented component unit column in the combined financial statements includes the financial data of the Village's component unit. It is reported in a separate column to emphasize that it is legally separate from the rest of the Village. The governing body of this component unit is appointed by the Village Council.

The Downtown Development Authority (DDA) is a legally separate municipal corporation and is reported as a special revenue fund. The DDA was organized to assist the Village in financing various improvements to the downtown area including sidewalk and sewer systems. Additional financial data can be obtained from the Village's business office.

B. Basis of presentation

The financial activities of the Village are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The various funds and account groups are grouped by type in the general purpose financial statements. The following fund types and account groups are utilized by the Village:

GOVERNMENTAL FUND TYPES

General fund - This fund is used to account for all financial transactions, except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Village. Revenues are derived primarily from property taxes, state distributions, grants and other intergovernmental revenues.

Special Revenue funds - These funds are used to account for specific governmental revenues (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

VILLAGE OF METAMORA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
MARCH 31, 2004
(CONTINUED)

1. **Summary of significant accounting policies (continued)**

B. Basis of presentation (continued)

PROPRIETARY FUND TYPES

Enterprise funds - These funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

FIDUCIARY FUND TYPES

Agency fund - Fiduciary fund types are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUPS

General fixed assets account group - This account group presents the fixed assets of the Village utilized in its general operations (nonproprietary fixed assets).

C. Basis of accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the Village has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

VILLAGE OF METAMORA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
MARCH 31, 2004
(CONTINUED)

1. **Summary of significant accounting policies (continued)**

C. Basis of accounting (continued)

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Village considers governmental fund revenues as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, interest revenues, state shared revenues, special assessments, and charges for services. Fine and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

D. Budgets and budgetary accounting

All budget amounts presented in the accompanying financial statements and supplementary information have been adjusted for legally authorized revisions of the annual budgets during the year and were adopted on a basis consistent with generally accepted accounting principles.

E. Cash and cash equivalents

For purposes of the statement of cash flows, the Village considers bank accounts and municipal investment fund accounts with a maturity of three months or less to be cash equivalents.

F. Short-term interfund receivables/payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

G. Inventories

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

VILLAGE OF METAMORA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
MARCH 31, 2004
(CONTINUED)

H. Property, plant and equipment

General fixed assets account group - General fixed assets are not capitalized in the governmental funds that acquire or construct them. Instead, capital items are accounted for in the general fixed assets account group.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

Proprietary fund types - Additions to fixed assets are recorded at cost, or if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing the related asset's cost and accumulated depreciation from the accounts and reporting the resulting gain or loss in income.

Proprietary funds capitalize interest costs on debt whose proceeds were used to finance the construction of assets. The amount capitalized is net of interest earned on these funds.

Depreciation of buildings, equipment and vehicles in the proprietary funds is computed using the straight-line method over lives ranging from ten to fifty years.

I. Long-term obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

J. Interfund transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as operating transfers or residual equity transfers.

2. Connection fees receivable

The Village borrowed \$1,200,000 from the federal government to partially finance the sewer project. This debt is being repaid with connection fees charged to users of \$2,250 per residence and a monthly service charge of \$21 per residential user. The connection fees are due pro-rata over a thirty-eight (38) year period with interest at 6.25 percent per year.

VILLAGE OF METAMORA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
MARCH 31, 2004
(CONTINUED)

3. Balance sheet cash and investments

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks. Commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated one bank for the deposit of Village funds. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in bank accounts and CDS and municipal investment funds, but not the remainder of State statutory authority as listed above.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Village's cash deposits are as follows:

<u>Deposits</u>	<u>Bank balance</u>
Insured (FDIC)	\$ 116,922
Uninsured	<u>87,062</u>
Total deposits	<u>\$ 203,984</u>

Investments

Non-risk categorized - The Village has \$1,141,000 on deposit with National City Bank in a Municipal Investment Fund. The market value for this investment type is not materially different from its carrying amount.

4. Excess of expenditures over appropriations and budgetary control

The Village Clerk submits a budget for the General and Special Revenue funds of estimated expenditures and revenues to the Village Council in February of each year. Prior to April 1, the budget is legally enacted through the passage of a budget resolution. The budget resolution is enacted to the line item level so that expenditures in excess of amounts appropriated must be approved by the Council. The budgets are periodically amended by the Village Council when necessary. The DDA Special Revenue fund follows similar procedures in establishing its annual budget.

All budgets are prepared using the modified accrual basis of accounting.

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Village's actual expenditures and budget expenditures for budgetary funds have been shown on a functional basis. The budgets approved by the Village Council were adopted to the line item level.

VILLAGE OF METAMORA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
MARCH 31, 2004
(CONTINUED)

4. **Excess of expenditures over appropriations and budgetary control (continued)**

During the year ended March 31, 2004, the Village incurred expenditures in the General and Special Revenue funds which were in excess of the amounts appropriated on the line item level.

5. **Long-term debt**

At March 31, 2004, long-term debt consists of the following obligation:

	<u>Balance</u> <u>April 1, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>March 31, 2004</u>
Enterprise fund debt:				
1997 sewer revenue bonds, due annually in amounts ranging from \$14,000 to \$48,000, plus interest due semiannually at 5%	\$ 803,000	\$ -	\$ 83,000	\$ 720,000
Total debt	<u>\$ 803,000</u>	<u>\$ -</u>	<u>\$ 83,000</u>	<u>\$ 720,000</u>

The annual aggregate maturities for the obligations are as follows:

<u>Sewer Bond</u>			
<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 14,000	\$ 35,650	\$ 49,650
2005	15,000	34,925	49,925
2006	16,000	34,150	50,150
2007	17,000	33,325	50,325
2008	18,000	32,450	50,450
2009 - 2013	105,000	147,375	252,375
2014 - 2018	131,000	117,975	248,975
2019 - 2023	170,000	80,750	250,750
2024 - 2028	220,000	32,000	252,000
2029	<u>14,000</u>	<u>350</u>	<u>14,350</u>
	<u>\$ 720,000</u>	<u>\$ 548,950</u>	<u>\$1,268,950</u>

VILLAGE OF METAMORA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
MARCH 31, 2004
(CONTINUED)

5. Long-term debt (continued)

Sewer revenue bond

The Village issued \$1,200,000 in Sanitary Sewer System Revenue bonds during 1997 and 1998. The bonds are to be repaid with revenues generated by user connection fees plus debt service charges of \$21 per customer per month. The system includes approximately 220 billable units. The Village is committed to maintaining the following reserves:

Bond reserve - quarterly deposits of \$1,875 are due until the balance is \$75,000.

Repair fund - quarterly deposits of \$350 are due until the balance is \$15,000.

As of March 31, 2004, the required balances in these accounts would be \$30,000 in the Bond reserve and \$9,800 in the Repair fund.

Although the Village has not maintained separate bank balances for each of these funds, it has deposited all connection fees collected and debt service charges in a separate bond retirement account which has a balance of \$211,632 at March 31, 2004.

6. General fixed assets

A summary of changes in fixed assets is as follows:

	Balance April 1, 2003	<u>Additions</u>	<u>Deletions</u>	Balance March 31, 2004
Land	\$ 46,475	\$ -	\$ -	\$ 46,475
Buildings	63,436	-	-	63,436
Machinery and equipment	30,429	7,290	-	37,719
Office equipment and furniture	<u>8,650</u>	<u>-</u>	<u>-</u>	<u>8,650</u>
	<u>\$ 148,990</u>	<u>\$ 7,290</u>	<u>\$ -</u>	<u>\$ 156,280</u>

7. Third lagoon agency fund

The Village is acting as paying agent for two developers who are constructing a sewage lagoon. The Village collects funds from the developers and pays the construction costs for the lagoon. The Village has no responsibility to share in these costs.

VILLAGE OF METAMORA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
MARCH 31, 2004
(CONTINUED)

8. Property taxes

The Village's 2003 tax levy was based on the following property valuations and millage rates (all data is exclusive of the Industrial Facilities Tax):

Taxable value	<u>\$ 15,502,976</u>
Tax levy per \$1,000 of taxable value:	
General operating	10.4711 mills

Properties are assessed as of December 31, and the related property taxes become a lien on July 1, of the following year. These taxes are due on July 15, with the final collection date of September 14.

9. Interfund receivable and payable balances

The amounts of interfund receivables and payables are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund:		
Operating	\$ 13,500	\$ -
Special Revenue funds:		
Local street	6,500	-
Major street	<u>-</u>	<u>6,500</u>
	<u>6,500</u>	<u>6,500</u>
Enterprise funds:		
Water	-	6,500
Sewer operating	-	4,000
Sewer debt	<u>-</u>	<u>3,000</u>
	<u>-</u>	<u>13,500</u>
Total	<u>\$ 20,000</u>	<u>\$ 20,000</u>

Interfund advance

The Metamora DDA fund has agreed to loan the Village Water fund up to \$150,000 for costs related to the construction of a water well. The loan is to be repaid as funds are collected from water connection fees and is non-interest bearing. As of March 31, 2004, the DDA has advanced \$138,536 to the Water fund. Subsequent to March 31, 2004, the Water fund repaid \$18,000 of this advance.

VILLAGE OF METAMORA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
MARCH 31, 2004
(CONTINUED)

10. Segment data

The proprietary fund types include the Village's Water System fund and Sewer System fund. A description of these operations follows:

The Water System fund accounts for water transmitted from Village wells to its 180 users.

The Sewer System fund accounts for sewage collection charges billed to its 220 users. This system was financed with federal grants, Village funds, and the issuance of revenue bonds. The revenue bonds are recorded as obligations in the Sewer Enterprise fund because their repayment is financed by user fees. The Sewer Enterprise fund, accordingly, includes an operating fund, and a debt service fund.

Significant financial data for these funds is presented below:

	<u>Water</u>	<u>Sewer</u>
Revenues	\$ 53,668	\$ 132,012
Interest income	230	10,083
Expenses:		
Depreciation	46,525	73,222
Other	43,461	47,959
Interest expense	-	41,902
User contributions	6,000	34,284
Net income (loss)	(30,088)	13,296
Cash flows from operating activities	14,782	108,500
Cash flows from capital and related financing activities	(2,811)	(88,541)
Cash flows from investing activities	230	10,083
Net increase in cash and cash equivalents	12,201	30,042
Additions to property and equipment	98,911	-
Net working capital	35,025	117,086
Total assets	1,333,109	3,046,352
Bonds payable	-	720,000
Total equity:		
Contributed equity	427,573	2,099,822
Retained earnings	758,252	195,288

11. Economic dependency and credit risk

Concentrations

One taxpayer, a local manufacturer, accounts for approximately 20 percent of the Village's property tax revenue.

Credit risk

The Village grants credit to its residents for water and sewer services.

VILLAGE OF METAMORA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
MARCH 31, 2004
(CONTINUED)

12. Risk management

The Village is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors or omissions. The Village purchases commercial insurance to protect against these risks of loss. The maximum insurance coverages are \$1,230,471 for property damage and \$2,000,000 for liability claims.

SUPPLEMENTARY INFORMATION

VILLAGE OF METAMORA
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Current tax levy	\$ 169,500	\$ 180,125	\$ 10,625
State shared revenues	44,500	42,677	(1,823)
Rentals	12,600	14,971	2,371
Interest	1,600	936	(664)
Administration fees	6,000	5,000	(1,000)
Other	<u>3,680</u>	<u>7,673</u>	<u>3,993</u>
Total revenues	<u>\$ 237,880</u>	<u>\$ 251,382</u>	<u>\$ 13,502</u>

VILLAGE OF METAMORA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
General government:			
Village council and president:			
Salaries and expenses	\$ 5,600	\$ 4,910	\$ 690
Audit	14,000	12,490	1,510
Legal and ordinance	8,250	10,816	(2,566)
Capital outlay	12,500	-	12,500
Dues	1,900	1,858	42
Insurance	14,128	14,128	-
Transportation	682	682	-
Other	<u>2,500</u>	<u>414</u>	<u>2,086</u>
Total village council and president	59,560	45,298	14,262
Elections:			
Wages and expenses	769	768	1
Village clerk:			
Wages - clerk and assistant	28,122	21,896	6,226
Employee medical insurance	1,800	1,671	129
Repairs	750	52	698
Office supplies	2,500	1,404	1,096
Equipment	1,000	201	799
Dues	346	346	-
Other	<u>845</u>	<u>207</u>	<u>638</u>
Total village clerk	35,363	25,777	9,586
Village treasurer:			
Wages	10,816	10,400	416
Office supplies and expenses	1,551	143	1,408
Printing	<u>3,000</u>	<u>592</u>	<u>2,408</u>
Total village treasurer	15,367	11,135	4,232
Assessor	100	100	-

VILLAGE OF METAMORA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004
(CONTINUED)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General government (continued):			
Planning and zoning:			
Wages	\$ 1,600	\$ 1,575	\$ 25
Services	<u>19,975</u>	<u>11,118</u>	<u>8,857</u>
Total planning and zoning	<u>21,575</u>	<u>12,693</u>	<u>8,882</u>
Total general government	132,734	95,771	36,963
Public works:			
Sewer and water - costs, publication, and wages	10,140	9,750	390
Salaries - DPW	16,272	16,272	-
Payroll taxes	5,250	4,994	256
Street lighting	7,200	6,874	326
Capital outlay	10,000	8,423	1,577
Operating supplies and expenses	4,548	4,389	159
Equipment and repairs	4,250	126	4,124
Utilities	<u>4,200</u>	<u>4,141</u>	<u>59</u>
Total public works	<u>61,860</u>	<u>54,969</u>	<u>6,891</u>
Total expenditures	194,594	150,740	43,854
Other financing uses:			
Transfer to other funds:			
Downtown Development Authority	<u>81,428</u>	<u>81,428</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 276,022</u>	<u>\$ 232,168</u>	<u>\$ 43,854</u>

VILLAGE OF METAMORA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2004

	<u>Local Street</u>	<u>Major Street</u>	<u>Combined</u>
ASSETS			
Cash	\$ 5,767	\$ 3,775	\$ 9,542
Investments	46,000	32,000	78,000
Due from other funds	<u>6,500</u>	<u>-</u>	<u>6,500</u>
Total assets	<u>\$ 58,267</u>	<u>\$ 35,775</u>	<u>\$ 94,042</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 3,262	\$ 6,366	\$ 9,628
Due to other funds	<u>-</u>	<u>6,500</u>	<u>6,500</u>
Total liabilities	3,262	12,866	16,128
Fund balance	<u>55,005</u>	<u>22,909</u>	<u>77,914</u>
Total liabilities and fund balance	<u>\$ 58,267</u>	<u>\$ 35,775</u>	<u>\$ 94,042</u>

VILLAGE OF METAMORA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2004

	<u>Local Street</u>	<u>Major Street</u>	<u>Combined</u>
Revenues:			
State gas and weight tax	\$ 9,529	\$ 30,349	\$ 39,878
Interest income	<u>288</u>	<u>197</u>	<u>485</u>
Total revenues	9,817	30,546	40,363
Expenditures:			
Streets:			
Traffic services	20	4,943	4,963
Routine maintenance	9,787	26,663	36,450
Snow and ice	4,745	9,634	14,379
Administration	<u>132</u>	<u>268</u>	<u>400</u>
Total expenditures	14,684	41,508	56,192
Excess (deficiency) of revenues over expenditures	(4,867)	(10,962)	(15,829)
Fund balance - beginning of year	<u>59,872</u>	<u>33,871</u>	<u>93,743</u>
Fund balance - end of year	<u>\$ 55,005</u>	<u>\$ 22,909</u>	<u>\$ 77,914</u>

VILLAGE OF METAMORA
PROPRIETARY FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2004

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Combined</u>
ASSETS			
Current assets:			
Unrestricted:			
Cash	\$ 38,196	\$ 5,693	\$ 43,889
Investments	-	70,000	70,000
Customer receivables	5,577	6,003	11,580
Restricted for debt services:			
Cash	<u>-</u>	<u>80,632</u>	<u>80,632</u>
Total current assets	43,773	162,328	206,101
Restricted assets:			
Debt fund - investments	-	131,000	131,000
Debt fund - customer receivables	-	7,105	7,105
Debt fund - connection fees receivable	<u>-</u>	<u>89,987</u>	<u>89,987</u>
Total restricted assets	-	228,092	228,092
Fixed assets:			
Sewer system	-	3,038,844	3,038,844
Water system	1,657,228	-	1,657,228
Accumulated depreciation	<u>(367,892)</u>	<u>(401,623)</u>	<u>(769,515)</u>
Net fixed assets	1,289,336	2,637,221	3,926,557
Unamortized bond costs	<u>-</u>	<u>18,711</u>	<u>18,711</u>
Total assets	<u>\$1,333,109</u>	<u>\$ 3,046,352</u>	<u>\$ 4,379,461</u>

VILLAGE OF METAMORA
PROPRIETARY FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2004
(CONTINUED)

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Combined</u>
LIABILITIES AND FUND EQUITY			
Current liabilities:			
Accounts payable	\$ 2,248	\$ 2,165	\$ 4,413
Accrued interest payable	-	22,077	22,077
Due to other funds	6,500	7,000	13,500
Bonds payable, due within one year	<u>-</u>	<u>14,000</u>	<u>14,000</u>
Total current liabilities	8,748	45,242	53,990
Long-term liabilities:			
Advance from other funds	138,536	-	138,536
Revenue bonds payable	<u>-</u>	<u>706,000</u>	<u>706,000</u>
Total liabilities	147,284	751,242	898,526
Fund equity:			
Contributed equity - Village	337,773	347,390	685,163
Contributed equity - users	-	486,872	486,872
Contributed equity - federal government	89,800	1,265,560	1,355,360
Retained earnings	<u>758,252</u>	<u>195,288</u>	<u>953,540</u>
Total fund equity	<u>1,185,825</u>	<u>2,295,110</u>	<u>3,480,935</u>
Total liabilities and fund equity	<u>\$1,333,109</u>	<u>\$ 3,046,352</u>	<u>\$ 4,379,461</u>

VILLAGE OF METAMORA
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CONTRIBUTED EQUITY
 YEAR ENDED MARCH 31, 2004

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Combined</u>
Village contributions:			
Balance - beginning of year	\$ 337,773	\$ 353,990	\$ 691,763
Less depreciation of plant acquired by grant	<u>-</u>	<u>(6,600)</u>	<u>(6,600)</u>
Balance - end of year	<u>\$ 337,773</u>	<u>\$ 347,390</u>	<u>\$ 685,163</u>
 User contributions:			
Balance - beginning of year	\$ -	\$ 486,872	\$ 486,872
Balance - end of year	<u>\$ -</u>	<u>\$ 486,872</u>	<u>\$ 486,872</u>
 Federal grant:			
Balance - beginning of year	\$ 93,800	\$ 1,302,235	\$ 1,396,035
Less depreciation of plant acquired by grants	<u>(4,000)</u>	<u>(36,675)</u>	<u>(40,675)</u>
Balance - end of year	<u>\$ 89,800</u>	<u>\$ 1,265,560</u>	<u>\$ 1,355,360</u>

VILLAGE OF METAMORA
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF INCOME AND
 CHANGES IN RETAINED EARNINGS
 YEAR ENDED MARCH 31, 2004

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Combined</u>
Revenues:			
Operating usage charges	\$ 53,668	\$ 57,737	\$ 111,405
Debt service usage charges	<u>-</u>	<u>74,275</u>	<u>74,275</u>
Total revenues	53,668	132,012	185,680
Expenses:			
Contracted services	28,442	34,525	62,967
Repairs	913	-	913
Supplies	1,081	2,652	3,733
Utilities	10,757	4,087	14,844
Administration	2,268	6,695	8,963
Depreciation	<u>46,525</u>	<u>73,222</u>	<u>119,747</u>
Total expenses	<u>89,986</u>	<u>121,181</u>	<u>211,167</u>
Operating income (loss)	(36,318)	10,831	(25,487)
Non-operating income (expense):			
User contributions	6,000	34,284	40,284
Interest income	230	10,083	10,313
Interest expense	<u>-</u>	<u>(41,902)</u>	<u>(41,902)</u>
Total non-operating income (expense)	<u>6,230</u>	<u>2,465</u>	<u>8,695</u>
Net income (loss)	(30,088)	13,296	(16,792)
Add: Depreciation on fixed assets acquired by revenues externally restricted for capital acquisitions that reduces contributed capital	<u>4,000</u>	<u>43,275</u>	<u>47,275</u>
Increase (decrease) in retained earnings	(26,088)	56,571	30,483
Retained earnings - beginning of year	<u>784,340</u>	<u>138,717</u>	<u>923,057</u>
Retained earnings - end of year	<u><u>\$ 758,252</u></u>	<u><u>\$ 195,288</u></u>	<u><u>\$ 953,540</u></u>

VILLAGE OF METAMORA
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 YEAR ENDED MARCH 31, 2004

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Combined</u>
Cash flows from operating activities:			
Operating income (loss)	\$ (36,318)	\$ 10,831	\$ (25,487)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Amortization	-	1,101	1,101
Depreciation	46,525	73,222	119,747
Decrease (increase) in:			
Customer receivables	609	28,342	28,951
Due from other funds	4,966	-	4,966
Increase (decrease) in:			
Accounts payable	-	(30)	(30)
Due to other funds	<u>(1,000)</u>	<u>(4,966)</u>	<u>(5,966)</u>
Total adjustments	<u>51,100</u>	<u>97,669</u>	<u>148,769</u>
Net cash provided by operating activities	14,782	108,500	123,282
Cash flows from capital and related financing activities:			
Payment of revenue bonds	-	(83,000)	(83,000)
Interest paid on debt	-	(39,825)	(39,825)
Additions to water system	(98,911)	-	(98,911)
User contributions	6,000	34,284	40,284
Interfund advance	<u>90,100</u>	<u>-</u>	<u>90,100</u>
Net cash used by capital and related financing activities	(2,811)	(88,541)	(91,352)
Cash flows from investing activities:			
Interest on investments	<u>230</u>	<u>10,083</u>	<u>10,313</u>
Net increase in cash and cash equivalents	12,201	30,042	42,243
Cash and cash equivalents - beginning of year	<u>25,995</u>	<u>257,283</u>	<u>283,278</u>
Cash and cash equivalents - end of year	<u>\$ 38,196</u>	<u>\$ 287,325</u>	<u>\$ 325,521</u>

VILLAGE OF METAMORA
SEWER FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2004

ASSETS	Operating Fund	Debt Fund	Combined
Current assets:			
Cash	\$ 5,693	\$ -	\$ 5,693
Investments	70,000	-	70,000
Customer receivables	6,003	-	6,003
Cash - restricted	<u>-</u>	<u>80,632</u>	<u>80,632</u>
Total current assets	81,696	80,632	162,328
Restricted assets:			
Investments	-	131,000	131,000
Customer receivables	-	7,105	7,105
Connection fees receivable	<u>-</u>	<u>89,987</u>	<u>89,987</u>
Total restricted assets	-	228,092	228,092
Sewer system:			
Land	115,744	-	115,744
Collection and disposal systems	2,923,100	-	2,923,100
Less accumulated depreciation	<u>(401,623)</u>	<u>-</u>	<u>(401,623)</u>
Net sewer system	2,637,221	-	2,637,221
Unamortized bond costs	<u>18,711</u>	<u>-</u>	<u>18,711</u>
Total assets	<u>\$ 2,737,628</u>	<u>\$ 308,724</u>	<u>\$ 3,046,352</u>
LIABILITIES AND FUND EQUITY			
Current liabilities:			
Accounts payable	\$ 2,165	\$ -	\$ 2,165
Accrued interest payable	-	22,077	22,077
Due to other funds	4,000	3,000	7,000
Bonds payable, due within one year	<u>14,000</u>	<u>-</u>	<u>14,000</u>
Total current liabilities	20,165	25,077	45,242
Long-term liabilities:			
Revenue bonds payable	706,000	-	706,000
Fund equity:			
Contributed equity - Village	347,390	-	347,390
Contributed equity - users	1,265,560	-	1,265,560
Contributed equity - federal government	-	486,872	486,872
Retained earnings (deficit)	<u>398,513</u>	<u>(203,225)</u>	<u>195,288</u>
Total fund equity	<u>2,011,463</u>	<u>283,647</u>	<u>2,295,110</u>
Total liabilities and fund equity	<u>\$ 2,737,628</u>	<u>\$ 308,724</u>	<u>\$ 3,046,352</u>

VILLAGE OF METAMORA
SEWER FUNDS
COMBINING STATEMENT OF REVENUES AND EXPENSES AND
CHANGES IN RETAINED EARNINGS (DEFICIT)
YEAR ENDED MARCH 31, 2004

	Operating Fund	Debt Fund	Combined
Revenues:			
Operating usage charges	\$ 57,737	\$ -	\$ 57,737
Debt service usage charges	-	74,275	74,275
Other	<u>83,000</u>	<u>(83,000)</u>	<u>-</u>
Total revenues	140,737	(8,725)	132,012
Expenses:			
Depreciation	73,222	-	73,222
Repairs and supplies	2,652	-	2,652
Utilities	4,087	-	4,087
Contracted services	34,525	-	34,525
Administration	<u>4,539</u>	<u>2,156</u>	<u>6,695</u>
Total expenses	119,025	2,156	121,181
Operating income (loss)	21,712	(10,881)	10,831
Non-operating income (expense):			
Users contributions	-	34,284	34,284
Interest income	375	9,708	10,083
Interest expense	<u>-</u>	<u>(41,902)</u>	<u>(41,902)</u>
Total non-operating income (expense)	375	2,090	2,465
Net income (loss)	22,087	(8,791)	13,296
Depreciation on fixed assets acquired by revenues restricted for construction	<u>43,275</u>	<u>-</u>	<u>43,275</u>
Increase (decrease) in retained earnings (deficit)	65,362	(8,791)	56,571
Retained earnings (deficit) - beginning of year	<u>333,151</u>	<u>(194,434)</u>	<u>138,717</u>
Retained earnings (deficit) - end of year	<u>\$ 398,513</u>	<u>\$ (203,225)</u>	<u>\$ 195,288</u>

VILLAGE OF METAMORA
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 YEAR ENDED MARCH 31, 2004

	Balance March 31, 2003	Additions	Deductions	Balance March 31, 2004
<u>THIRD LAGOON FUND</u>				
ASSETS				
Cash	<u>\$ 909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 909</u>
LIABILITIES				
Accounts payable	<u>\$ 909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 909</u>

VILLAGE OF METAMORA
SCHEDULE OF BOND INDEBTEDNESS
SANITARY SEWER SYSTEM REVENUE BONDS
MARCH 31, 2004

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
05/01/04	\$ 14,000	5.00%	\$ 18,000	\$ 32,000
11/01/04	-	5.00%	17,650	17,650
05/01/05	15,000	5.00%	17,650	32,650
11/01/05	-	5.00%	17,275	17,275
05/01/06	16,000	5.00%	17,275	33,275
11/01/06	-	5.00%	16,875	16,875
05/01/07	17,000	5.00%	16,875	33,875
11/01/07	-	5.00%	16,450	16,450
05/01/08	18,000	5.00%	16,450	34,450
11/01/08	-	5.00%	16,000	16,000
05/01/09	19,000	5.00%	16,000	35,000
11/01/09	-	5.00%	15,525	15,525
05/01/10	20,000	5.00%	15,525	35,525
11/01/10	-	5.00%	15,025	15,025
05/01/11	21,000	5.00%	15,025	36,025
11/01/11	-	5.00%	14,500	14,500
05/01/12	22,000	5.00%	14,500	36,500
11/01/12	-	5.00%	13,950	13,950
05/01/13	23,000	5.00%	13,950	36,950
11/01/13	-	5.00%	13,375	13,375
05/01/14	24,000	5.00%	13,375	37,375
11/01/14	-	5.00%	12,775	12,775
05/01/15	25,000	5.00%	12,775	37,775
11/01/15	-	5.00%	12,150	12,150
05/01/16	26,000	5.00%	12,150	38,150
11/01/16	-	5.00%	11,500	11,500
05/01/17	27,000	5.00%	11,500	38,500
11/01/17	-	5.00%	10,825	10,825
05/01/18	29,000	5.00%	10,825	39,825
11/01/18	-	5.00%	10,100	10,100
05/01/19	30,000	5.00%	10,100	40,100
11/01/19	-	5.00%	9,350	9,350
05/01/20	32,000	5.00%	9,350	41,350
11/01/20	-	5.00%	8,550	8,550
05/01/21	34,000	5.00%	8,550	42,550
11/01/21	-	5.00%	7,700	7,700
05/01/22	36,000	5.00%	7,700	43,700
11/01/22	-	5.00%	6,800	6,800

VILLAGE OF METAMORA
SCHEDULE OF BOND INDEBTEDNESS
SANITARY SEWER SYSTEM REVENUE BONDS
MARCH 31, 2004
(CONTINUED)

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
05/01/23	\$ 38,000	5.00%	\$ 6,800	\$ 44,800
11/01/23	-	5.00%	5,850	5,850
05/01/24	40,000	5.00%	5,850	45,850
11/01/24	-	5.00%	4,850	4,850
05/01/25	42,000	5.00%	4,850	46,850
11/01/25	-	5.00%	3,800	3,800
05/01/26	44,000	5.00%	3,800	47,800
11/01/26	-	5.00%	2,700	2,700
05/01/27	46,000	5.00%	2,700	48,700
11/01/27	-	5.00%	1,550	1,550
05/01/28	48,000	5.00%	1,550	49,550
11/01/28	-	5.00%	350	350
05/01/29	<u>14,000</u>	<u>5.00%</u>	<u>350</u>	<u>14,350</u>
	<u>\$ 720,000</u>		<u>\$ 548,950</u>	<u>\$ 1,268,950</u>

HYZER, HILL, KUZAK & CO., P.C.

Certified Public Accountants

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Bruce Hill
Donald Kuzak
Michael Doerr

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Village Council
Village of Metamora
Metamora, Michigan 48455

We have audited the general purpose financial statements of the Village of Metamora, Michigan, as of and for the year ended March 31, 2004, and have issued our report thereon dated August 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Metamora, Michigan's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Metamora, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management and the Village Council and federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Hyman, Hill, Hughes & Co P.C.

Bad Axe, Michigan
August 9, 2004

HYZER, HILL, KUZAK & CO., P.C.

Certified Public Accountants

1242 Sand Beach Road

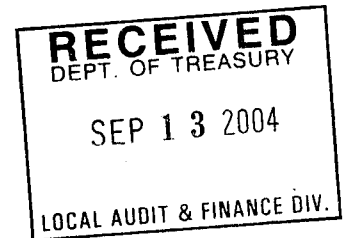
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Bruce Hill
Donald Kuzak
Michael Doerr

August 26, 2004



Village Council
Village of Metamora
48 E. High Street
P.O. Box 117
Metamora, MI 48455

In planning and performing our audit of the financial statements of the Village of Metamora for the year ended March 31, 2004, we considered the Village's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We previously reported on the Village's internal control in our report dated August 9, 2004. This letter does not affect our report dated August 9, 2004, on the financial statements of the Village of Metamora.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Village personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

Hyzer, Hill, Kuzak & Co. P.C.
Hyzer, Hill, Kuzak & Co., P.C.

Budget adoption

The Village Council did not adopt the March 31, 2005 budget prior to April 1, 2004. State law requires that the budget be passed before the start of the fiscal year.

The Village Clerk should submit the recommended budget to the Village Council no later than February so that the Village Council can pass the budget at a public hearing in March of each year.